

Message Text

CONFIDENTIAL

PAGE 01 CARACA 06085 131434Z

46

ACTION EB-07

INFO OCT-01 ARA-06 ISO-00 ERDA-05 AID-05 CEA-01 CIAE-00

CIEP-01 COME-00 DODE-00 FEAЕ-00 FPC-01 H-02 INR-07

INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-03 USIA-06

SAM-01 OES-03 SP-02 SS-15 STR-04 TRSE-00 FRB-03 NEA-10

EUR-12 EA-06 /115 W

----- 031460

R 131227Z JUN 75

FM AMEMBASSY CARACAS

TO SECSTATE WASHDC 9084

CONFIDENTIAL CARACAS 6085

E.O. 11652: GDS

TAGS: ENRG, EWWT, PDEV, VE

SUBJECT: OIL PRODUCERS TANKER FLEET DEVELOPMENT

REF: (A) STATE A-1542 (B) STATE 095548

1. SUMMARY. VENEZUELAN PLANS ENRISAGE NATIONALLY CONSTRUCTED, GOVERNMENT OWNED TANKER FLEET WITHIN NEXT FIVE TO TEN YEARS HAVING POTENTIAL FOR HANDLING OF UP TO ONE HUNDRED PER CENT OF ITS OWN PETROLEUM AND PETROLEUM BY-PRODUCTS EXPORTS.

2. OFFICIAL REPORT PREPARED BY MINISTRY OF COMMUNICATIONS INDICATES THAT CURRENT VENEZUELA FLAG TANKER FLEET CONSISTS OF NINETEEN TANKERS AGGREGATING 295,698DWT, ALL FOREIGN BUILT AND 100 PER CENT VENEZUELAN MANNED. GOV INTENTION IS TO CREATE A FLEET OF NATIONALLY CONSTRUCTED UNITS. CONSTRUCTION PLANS RELY HEAVILY ON FOREIGN TECHNOLOGY.

3. PLANS ARE ALREADY UNDERWAY FOR THE CONSTRUCTION OF AT LEAST TWO NEW SHIPYARDS AND THE REFURBISHING OF A THIRD. THESE FACILITIES WILL CONCENTRATE ON THE CONSTRUCTION OF 16 KNOT, 40 FOOT MAXIMUM DRAFT, TANKERS, IN THE 600,000, 60,000, 80,000 DWT

CONFIDENTIAL

CONFIDENTIAL

PAGE 02 CARACA 06085 131434Z

RANGE, AS WELL AS ON SMALLER CARGO VESSELS. LATE LAST YEAR, PERHAPS

AS A TRIAL RUN, CONTRACTS WERE SIGNED PROVIDING FOR THE FIRST NATIONALLY BUILT TANKER WHICH WOULD HAVE A CAPACITY OF 30,500 TONS. AIM IS CREATION OF NEW TANKER FLEET OF AT LEAST TWENTY-FIVE VESSELS WITHIN THE NEXT FIVE TO TEN YEARS CAPABLE OF TRANSPORTING NO LESS THAN FIFTY PER CENT OF ALL VENEZUELAN BULK PETROLEUM PRODUCTS IN NATIONAL FLAG, NATIONALLY CONSTRUCTED AND MANNED VESSELS, THEREBY MAKING THE NATION INDEPENDENT IN THIS IMPORTANT PHASE OF ITS ECONOMY.

4. FINANCING OF SHIP CONSTRUCTION FACILITIES WILL BE ACCOMPLISHED PRINCIPALLY BY THE VENEZUELAN INVESTMENT FUND WHICH HAS BEEN ORGANIZED WITH AN INITIAL CAPITALIZATION OF THREE BILLION DOLLARS. ALTHOUGH FOREIGN CAPITAL HAS BEEN INVITED TO PARTICIPATE IN SOME PHASES OF THE PROGRAM, IT WILL BE LIMITED IN ORDER THAT CONTROL BE MAINTAINED BY THE VENEZUELAN GOVERNMENT AND ITS NATIONALS.

5. PREDICTIONS ARE THAT FULFILLMENT OF THE SHIPBUILDING PROGRAM, PARTICULARLY INsofar AS TANKERS ARE CONCERNED, WILL GREATLY STIMULATE THE ECONOMY AND ITS REALIZATION WILL FURTHER STRENGTHEN THE NATION'S OVERALL DEVELOPMENT, INDEPENDENCE AND SOVEREIGNTY. IT IS DOUBTFUL THAT EMBARGO HAS BEEN DIRECTLY CONSIDERED. (QUESTION 2, PAGE 3). IT IS CLEAR, HOWEVER, THAT VENEZUELA'S AIM IS EVENTUAL INDEPENDENCE IN THE OPERATION OF ITS PETROLEUM ENTERPRISE FROM EXTRACTION TO TRANSPORTATION AND DELIVERY TO FOREIGN MARKETS, FREE FROM OUTSIDE PRESSURES AND COMPETITION.

6. REALIZATION OF THE VENEZUELAN SHIPBUILDING PROGRAM COULD PLACE BUYERS OF ITS PETROLEUM AT A DISADVANTAGE, PARTICULARLY IF THE NATION'S CARGO PREFERENCE LAWS ARE STRICTLY ENFORCED SO AS TO REQUIRE THAT EVENTUALLY 50 PERCENT (AND PERHAPS MORE) OF ITS PETROLEUM AND PETROLEUM BY-PRODUCTS BE TRANSPORTED VIA NATIONAL FLAG VESSELS. SUCCESSFUL IMPLEMENTATION OF THE PROGRAM WILL RESULT IN A GREATER DEGREE OF CONTROL OF DELIVERY BY VENEZUELA AND DUE TO THE MONOPOLISTIC NATURE OF THE VENTURE, THE COST OF THE COMMODITY TRANSPORTED, AS WELL AS FREIGHT RATES, WILL HAVE A TENDENCY TO INCREASE.

7. COMBINING THE CURRENT GLUT OF TANKER UNITS ON THE INTERNATIONAL MARKET WITH PREDICTIONS THAT THE INTERNATIONAL TANKER FLEET WILL BE OVERTONNAGED BY BETWEEN TWENTY MILLION AND EIGHTY MILLION DWT
CONFIDENTIAL

CONFIDENTIAL

PAGE 03 CARACA 06085 131434Z

THROUGH THE NEXT FEW YEARS, VENEZUELA'S DESIRE TO HAVE ITS OWN NATIONALLY BUILT FLEET - CONSIDERING THE TREMENDOUS CAPITALIZATION REQUIRED - IS DIFFICULT TO UNDERSTAND, PARTICULARLY IN VIEW OF THE FACT THAT CHARTERING AND PURCHASING OF UNITS WOULD BE MORE ECONOMICAL, AT LEAST IN THE SHORT RUN. SOME OFFICIALS HERE BELIEVE THAT THE COUNTRY IS GOING OUT ON A LIMB WITH THE NEW PROGRAM. OTHERS, HOWEVER, FEEL THAT THE SPIN-OFFS OF CREATING AN INDUSTRY SUCH AS SHIPBUILDING UTILIZING SO-CALLED HIGH TECHNOLOGY

WOULD IN ITSELF BE WORTH, IN THE LONG RUN, THE HIGH COST OF CONSTRUCTING A TANKER FLEET IN VENEZUELA. THERE ARE ALSO THE ELEMENTS OF NATIONAL PRIDE AND THE INDEPENDENCE FROM FOREIGN CARRIERS AND/OR SHIP BUILDERS WHICH WOULD ACCRUE TO VENEZUELA BY CONSTRUCTING ITS OWN TANKER FLEET.

8. THE PLACING OF ONE OR MORE VENEZUELAN UNITS IN ANY PARTICULAR TRADE WOULD SURELY HAVE AN EFFECT ON TRADITIONAL TANKER OPERATING COUNTIRES, ALTHOUGH THE DEGREE OF EFFECT IS A MATTER OF CONJECTURE. IT WOULD SEEM, HOWEVER, THAT THE EFFECT WOULD BE DIRECTLY RELATED TO TWO FACTORS, NAMELY, (1) THE CARRYING CAPACITY OF THE UNIT OR UNITS, AND (2) THE PERCENTAGE REQUIRED TO BE CARRIED IN NATIONAL FLAG VESSELS UNDER VENEZUELAN CARGO PREFERENCE LEGISLATION. SINCE THE PROMULGATION OF THE NATION'S MERCHANT MARINE PROTECTION AND DEVELOPMENT LAW, THERE HAVE BEEN HINTS FROM BOTH GOVERNMENT AND INDUSTRY SOURCES THAT THE LAW'S EVENTUAL GOAL IS 100 PERCENT CARRIAGE OF ALL VENEZUELAN SEABORNE COMMERCE IN NATIONAL FLAG BOTTOMS, AND THAT IF AND WHEN IT IS EXPEDIENT AND IN THE BEST INTERESTS OF VENEZUELA TO SO AMEND THE LAW, IT SHALL BE DONE. THIS, AGAIN, IS A MATTER OF CONJECTURE AND PERHAPS SHOULD NOT BE TAKEN TOO SERIOUSLY, ALTHOUGH NOT ALTOGETHER DISCOUNTED.

9. MAKING US PRODUCED TANKERS AVAILABLE TO VENEZUELA AT REASONABLE WORLD COMPETITIVE PRICES COULD POSSIBLY, ACCORDING TO SOURCES HERE, CONVINCE THE GOV TO PURCHASE UNITS FROM THE UNITED STATES RATHER THAN CONCENTRATE ON PRODUCTION OF ITS OWN FLEET. UFQORTUNATELY, SOURCES HERE ARE CONVINCED THAT THE UNITED STATES HAS PRICED ITSELF OUT OF THE TANKER MARKET INSOFAR AS VENEZUELA IS CONCERNED IN VIEW OF THE LOWER PRICES OFFERED BY JAPAN AND WESTERN EUROPE. IT WOULD APPEAR, THEREFORE, THAT THE QUESTION OF RESTRICTIVE CONDITIONS ON THE SALE OF US TANKERS TO VENEZUELA IS MOOT. (PAGE 4, QUESTION 2). PERHAPS BY OFFERING FAVORABLE FINANCING AND CREDIT ARRANGEMENTS, VENEZUELA COULD BE CONFIDENTIAL

CONFIDENTIAL

PAGE 04 CARACA 06085 131434Z

PERSUADED TO TAKE ANOTHER LOOK AL0URCHASING FROM US YARDS; AT LEAST UNTIL SUCH TIME AS HER OWN SHIPBUILDING INDUSTRY IS SUFFICIENTLY DEVELOPED. BUT INDICATIONS AT THIS TIME ARE THAT TERMS AND CONDITIONS OF SALE WILL HAVE TO BE MADE MUCH MORE ATTRACTIVE THAN AT PRESENT (OR IN THE PAST) IN ORDER TO INFLUENCE VENEZUELA TO PLACE ORDERS WITH US FIRMS.

SHLAUDEMAN

CONFIDENTIAL

NNN

Message Attributes

Automatic Decaptoning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PETROLEUM INDUSTRY, CONSTRUCTION, CARGO SHIPS
Control Number: n/a
Copy: SINGLE
Draft Date: 13 JUN 1975
Decapton Date: 01 JAN 1960
Decapton Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: GolinoFR
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975CARACA06085
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D750206-1066
From: CARACAS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750649/aaaabsoa.tel
Line Count: 162
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 75 STATE A-1542, 75 STATE 095548
Review Action: RELEASED, APPROVED
Review Authority: GolinoFR
Review Comment: n/a
Review Content Flags:
Review Date: 17 SEP 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <17 SEP 2003 by ElyME>; APPROVED <01 OCT 2003 by GolinoFR>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: OIL PRODUCERS TANKER FLEET DEVELOPMENT
TAGS: ENRG, EWWT, PDEV, VE
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006